

BLUE SHIELD OF CALIFORNIA'S PHARMACY MAIL ORDER SERVICE INCENTIVE

DESCRIPTION

Blue Shield of California (Blue Shield) proposes to implement a new pharmacy mail order service incentive option effective January 1, 2010, identical to the mail service incentive program offered to members covered under the PERS Select, PERSCare and PERS Choice Preferred Provider Organization (PPO) plans.

Under the proposed program, the copayment for maintenance medications (long-term) will increase from \$15.00 to \$25.00 after the second fill of the drug. A member who utilizes the mail service program will receive a 90-day supply of their prescription for their copayment but only a 30-day supply if they choose to use a participating retail pharmacy when they refill their medication.

STAFF ANALYSIS

About 28 percent of all CalPERS Blue Shield members take maintenance medications. These members would save approximately \$200.00 per year by utilizing the mail order service. Total member savings could be as much as \$2.9 million from the use of the mail service benefit. By moving to the new program, members would continue to receive up to a three-month supply of medication by mail at a co-payment equal to two months or less of the retail co-payments. However, members who do not take advantage of the new mail service program could spend an average of \$393.00 annually through increased co-payments by continuing to refill maintenance medications at a retail pharmacy. Under this proposal, the annual savings to CalPERS could be as much as \$3.9 million annually.

In 2005, CalPERS implemented a pharmacy mail order incentive program for maintenance medications in its PPO self-funded Pharmacy Benefit Manager program. The PPO pharmacy mail order program is a success and continues to be widely accepted by the members for its ease of use, convenience and savings. The 2008 CalPERS Pharmacy Plan Customer Satisfaction Survey, found that our members' rate their overall experience very high when ordering their prescriptions by mail. Based on a scale of 1 to 10, with 10 being the highest rating, members' overall experience with the pharmacy mail order was 8.8 for Basic and 8.9 for Medicare members.

Blue Shield members will receive similar benefits to those currently enjoyed by PERS Select, PERSCare and PERS Choice members participating in the PPO pharmacy mail order incentive program:

- Save money by getting up to a 90-day supply of medication;
- Save time by taking fewer trips to the pharmacy;

- Take advantage of free standard shipping on every order;
- Order refills conveniently on the Web, by mail or by phone; and,
- Consult with a pharmacist 24 hours a day, 7 days a week.

This chart illustrates a high level analysis of savings incurred since the inception of the PPO pharmacy mail order incentive program and illustrates the potential for similar savings by CalPERS members and the plan.

YEAR	MAIL PENETRATION	MEMBER SAVINGS*	PLAN SAVINGS*	TOTAL SAVINGS*
2004	48.2%	BASELINE		
2005	59.0%	\$8.5	\$9.0	\$17.5
2006	61.3%	\$9.9	\$9.7	\$19.6
2007	63.6%	\$12.1	\$8.0	\$20.1
2008 YTD	64.5%	\$10.8	\$9.4	\$20.2
TOTAL		\$41.3	\$36.1	\$77.4

*Saving is in millions. Data Source: Medco
(a) 2008 YTD reflects to the end of October

RECOMMENDATION

Implement the Blue Shield proposal for a pharmacy mail order service incentive program.

Next steps for implementation of the pharmacy mail order service incentive include the following:

- Develop other options of delivery including an alternate address (relative's home), or a PO Box.
- Evaluate day delivery options for all members, which include our retired population.
- Develop an exception process to override the co-payment increase for members who cannot use mail order.
- Promote market and encourage all members to participate in this program much like the Pharmacy Benefit Manager has done and is continuing to do for its PPO members to ensure high member participation and savings.
- Include proposal in 2010 rate setting process so that staff can conduct a rate impact cost-benefit analysis to validate the proposed savings and member impact, and assess the impact of the loss RDS funds against the savings achieved in premium.